# Georgia

# Rural Development Programme for Mountainous and Highland Areas
# Project Performance Assessment

## Executive Summary

1. Georgia is a lower middle-income country, with gross national income per capita of US$3,280 in 2012. The population is about 4.48 million, of which 47 per cent live in the rural areas. According to the World Bank Poverty Assessment (2007), 23.7 per cent of Georgian households were living in poverty, the most extreme being in northern mountain rural areas, where it exceeded 50 per cent.

2. Agricultural production in Georgia is predominantly subsistence. Most recent data indicate a continued decline in agricultural contribution to gross domestic product from 10.6 per cent in 2007 to 8.5 per cent in 2012. After independence in 1991, land privatization created around 1 million small farmers each with around 0.75 hectares of land, and crop and livestock yields declined significantly. With stagnant agricultural production, Georgia has become a net food importer, whilst agricultural exports have been badly affected by two wars and a Russian trade embargo.

3. **Project performance.** The Rural Development Programme for Mountainous and Highland Areas (RDPMHA) was approved by IFAD's Executive Board in 2000, and implemented from 2001 to 2011. The goal of the project was to assist people in mountainous and highland areas to improve the quality of life in a sustainable manner, by increasing incomes while protecting the natural resources base and the environment.

4. However, the project implementation process was never smooth. A complex and overly ambitious project design was fraught with management constraints. The implementation was suspended from 28 July 2006 to 6 June 2007, due to implementation difficulties and possible fraud. After the Government had fulfilled the majority of the conditions imposed by IFAD to lift suspension, the project was redesigned around a single component (small infrastructure) and implemented from 2008 to 2011, with two loan extensions of 18 months each. The total actual cost was US$10.1 million, of which US$1.44 million was Government's contribution and US$8.73 million IFAD loan.

5. Phase 1 (2001–2007) was ineffective in meeting original project objectives; out of 10 anticipated key outputs only 2 reported marginal progress. This evaluation was unable to report any sustained benefits arising from phase 1, under which US$3.9 million were disbursed, including IFAD loan of US$3.4 million and Government contribution of US$0.5 million.

6. Phase 2 (2008-2011) was successful in disbursing the remaining US$6.2 million (including IFAD loan of US$5.3 million and Government contribution of US$0.9 million) on renovation and construction of 63 kilometres of community road and 14 bridges in mountainous areas. This work was fully satisfactory and effective in improving general accessibility and quality of life for beneficiary communities. However, there was no apparent impact on farm productivity and household incomes. Overall, project achievements of combined phases 1 and 2 were limited with a negative Economic Internal Rate of Return.

7. **Sustainability.** Phase 1 interventions had no lasting impacts in the field and thus there was nothing to be sustained. Under phase 2, the roads and bridges

constructed were of high specification and load carrying capacity. At the time of the project performance assessment mission, the bridges were in good order and not yet in need of maintenance. However the roads handed over to the respective municipalities were not being properly maintained. Municipalities were not able to allocate funds for their maintenance, representing a serious sustainability issue.

8. **Household incomes and net assets.** There has been no sustained improvement of household incomes attributable to the interventions under phase 1. Though there was little evidence to suggest that the improved rural infrastructure of phase 2 has had an impact in this respect, and it would be difficult to assess given that the improved roads were only completed in 2011, anecdotal evidence from beneficiary field interviews indicated that accessibility to education, health and other critical social services has improved, but few economic benefits have been derived. For those at middle mountain elevations closer to Tbilisi, reduced transport costs likely facilitated local marketing of limited farm surpluses, especially dairy products and some fruits.

9. **Innovation.** Regretfully phase 1 of the project failed to demonstrate any meaningful examples or useful experiences regarding development of the high mountainous regions, except lessons learned for future design.

10. The redesigned phase 2 project, comprising a rural road and bridge component implemented from 2008-2012, proved to be of general social benefit to beneficiary communities. However, given the short implementation period, it did not involve direct community participation and had little if any apparent impact on agricultural development and improved farm income.

**Main recommendations**

11. **Strategic recommendations for rural development interventions**. In line with the conclusions of the evaluation, future rural development should address the following strategic issues in project design:

    (i) **Emphasizing government ownership and leadership.** All components and especially institutional changes must be relevant to government strategy and have strong government ownership. Project management arrangements should be through a semi-autonomous unit of the Ministry of Agriculture along the lines of the former Agricultural Development Project Coordination Centre, with employment conditions that attract and retain competent staff. A binding exit strategy has to be put in place in advance for maintenance.

    (ii) **Keeping project design simple and realistic.** Project design must be simple, realistic and fit local management capacities. The component mix should, to a large degree, be based on a needs-based assessment exercise with intended beneficiaries.

    (iii) **Prioritizing market access to external markets.** Choice of income-generating activities must be based on market access and assessed product demand (a mini business plan). Future interventions need to focus on the following: capacity-building in marketing, cold chain development, value chain development, market information, and technology transfer for micro, small and medium enterprises.

12. **Technical recommendations for two agricultural development scenarios**:

    (i) For the **high mountain situations,** future projects should aim to ease poverty and enhance the quality of life of the remaining ageing population. Particular consideration should be given to improving subsistence systems with an increase in surplus production where market opportunities exist.

    (ii) For **lower level arable systems,** future intervention should enhance marketing, exploring sales channels and intensification to increase crop and livestock productivity and include promotion of business associations, affordable credit, and research and development.